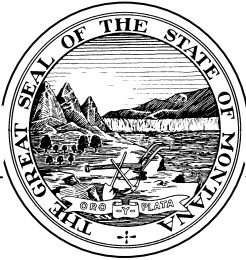


DEPARTMENT OF ADMINISTRATION
DIVISION OF BANKING AND FINANCIAL INSTITUTIONS



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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Division of Banking and Financial Institutions Adopts Regulatory Guidance on Subprime Mortgage Origination

HELENA, MONTANA - The Division of Banking and Financial Institutions (division) today announced the adoption of regulatory guidance covering underwriting standards, management practices, and consumer protection provisions that mortgage originators should follow when marketing and selling certain adjustable-rate mortgage (ARM) products to subprime borrowers. A copy of these guidelines can be found on the division's website at <http://banking.mt.gov> under "press releases."

The statement was developed by the Conference of State Bank Supervisors (CSBS), the American Association of Residential Mortgage Regulators (AARMR), and the National Association of Consumer Credit Administrators (NACCA) in response to the federal financial regulatory agencies' Statement on Subprime Mortgage Lending that was released on June 29, 2007. CSBS, AARMR, and NACCA developed the statement to apply to lenders not regulated by the federal financial regulatory agencies.

"We believe a coordinated effort among federal and state regulatory agencies is necessary to provide consistent and effective overall supervision of the mortgage industry," stated Commissioner Annie Goodwin.

The CSBS/AARMR/NACCA guidance substantially mirrors the federal interagency statement agreed upon by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration, and supported by the Federal Financial Institutions Examination Council's State Liaison Committee.

However, the state mortgage regulators modified the statement to address issues particular to non-depository mortgage lenders and brokers who originate loans but do not hold them in portfolio. These lenders are generally licensed and regulated by the states.

In conjunction with the 2006 Interagency Guidance on Nontraditional Mortgage Product Risks, the statement offers sound underwriting and consumer protection principles that institutions and all residential mortgage providers should consider when making residential mortgage loans.

Beyond the Statement on Subprime Mortgage Lending, state regulators also plan to issue Examination Guidance for state supervisors to use in evaluating state-licensed mortgage lenders' compliance with the new requirements on lending to subprime borrowers.

The division regulates state-chartered banks and credit unions as well as other mortgage related non-depository licensees such as mortgage brokers, loan originators, and consumer loan companies. The division will begin licensing residential mortgage lenders effective October 1, 2008. This requirement was passed as part of House Bill 69 during the 2007 Regular Legislative Session.

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The Division of Banking and Financial Institutions is the regulator for all Montana state-chartered banks, state-chartered credit unions, and non-depository financial institutions, which include consumer loan and sales finance companies, mortgage brokers and loan originators, title lenders, deferred deposit lenders and escrow businesses. It is the mission of the Division of Banking and Financial Institutions to protect the public interest by regulating the business of state chartered and licensed financial institutions under its supervision. The Division is committed to preserve and promote: sound and constructive competition among financial institutions; a dual federal and state banking system; and the security of deposits. The Division seeks regulatory coordination and cooperation as well as regulatory parity among financial services institutions while encouraging diversity in financial products and services.